



Sprouting new growth opportunities

Bermuda is a natural launchpad for exciting and innovative emerging technology ventures finds John Narraway

As the world becomes increasingly connected, a tremendous amount of value creation is found in the intangible assets of intellectual property or content. In this respect, Bermuda is well positioned for exponential growth.

It is no secret that Bermuda is a globally-recognised centre for insurance and reinsurance innovation. The infrastructure required to build and maintain this industry is also fertile ground for new industries to be established.

Looking to the short-term future, the following areas have seen early successes spawn new opportunities:

Insurtech and regtech

Bermuda's thriving international business community and globally renowned reinsurance markets offer technology companies a dense market of potential customers. Fintech has traditionally evolved through a focus on the banking industry but now that this market has evolved to the point of saturation, technology companies are starting to realise there are opportunities to connect the entire financial services ecosystem. The latter is especially true for emerging technologies like blockchain/distributed ledger, which, by definition, represent a peer-to-peer paradigm and require a networked community of users. Bermuda represents an opportunity to build these new customer communities both easily and quickly.

Insurtech feels like a new frontier because traditionally, insurance companies have not been early adopters of technology. Now however, there are indications that this industry sector is beginning to appreciate that emerging technology is likely to have a profound impact both in terms of how its businesses will look in the next five years and with whom it will be competing.

Bermuda is particularly attractive because it offers fintech companies a very sophisticated talent pool, comprising both advisory expertise and also a user base of customers who can help shape product design. The Bermuda rein-

insurance market has already been responsible for driving insurance market innovation with products like insurance linked securities (ILS), which is why it can now offer the same subject-matter expertise for fintech companies looking to adapt their technology to a range of new market opportunities.

The Bermuda Monetary Authority is also a key to this equation. It is rare to find a globally respected financial services regulator that is willing to take such a responsive and pragmatic approach to helping companies along the pathway to approval. The fintech and regtech market moves very quickly and speed to market is critical for many fast-growing companies; so access to legislators is a very important benefit that Bermuda offers, somewhat uniquely.

Bermuda can look forward to being a natural launchpad for innovative ventures over the next few years

There are multiple companies that have already placed strategic parts of their global operations in Bermuda. The Island has seen some exciting new potential entrants. For example, R3, a major global blockchain innovation company is currently working with key players in the Bermuda financial services market to explore how distributed ledger technology might be a catalyst for market evolution.

In addition, new advisory associations have formed to focus on providing thought leadership, promoting best practices and creating a touchpoint for fintech companies interested in exploring the Bermuda market.

Global eCommerce clearing

Bermuda has established bi-lateral Tax Information Exchange Agreements (TIEAs) with 41 countries.

There is a long tradition of close political and commercial ties between Canada and Bermuda, including the history of a common legal framework and reinforcement of the same accounting standards. On Canada Day (1 July) 2011, the relationship became even closer with the ratification of the Canada-Bermuda TIEA. This has allowed for a unique value proposition of repatriation of income generated through non-domestic eCommerce traded through Bermuda with zero taxation when repatriating the income to Canada. Canadian retailers who sell their goods and services online are able to use this agreement to expand their international sales into foreign markets with highly beneficial tax advantages.

Several commercial licensing (and chain-of-title) tax structures are available to ensure fair market value/transfer pricing issues are carefully addressed; this allows companies to customise their approach to an eCommerce solution. Tax-free dividends repatriated from the Bermuda company in accordance with the Canada-Bermuda TIEA can be used to fund expansion of the domestic parent company.

Biopharma and life sciences

As a centre of excellence for financial services and capital management, Bermuda is an ideal location for biotech. That is especially true for life sciences and pharmaceutical companies with international centres around the world that use Bermuda as a hub for financial and intellectual property holdings. Bermuda offers such corporations the ability to license and distribute globally via a centralised administrative structure. This is increasingly relevant with the increasing presence of 'platform' pharma companies with complex international licensing agreements.

In 2017, OceanTech, a non-profit collaborative marine ocean research project, will launch a species tracking device with multidimensional data collection, including criteria such as ocean acidity, topographical mapping of the sea floor and 360 video interactions. The overall mission is to create data points necessary to create new ocean conservation policies for governments around the world.

Many of these types of projects establish partnerships with the Bermuda Institute of Ocean Sciences (BIOS), a world-renowned marine research organisation. BIOS has collected a substantial repository of deep ocean data and performed groundbreaking molecular and genomic research on marine invertebrates for application in medicine and biotechnology. BIOS sits at the core of Bermuda's growing science and technology capabilities and is often approached to participate in academic and commercial partnership opportunities.

International film and entertainment

Today's film and entertainment markets are crossing borders, thanks to new digital distribution methods and it is no secret that Asia is becoming the world's biggest film market. Bermuda is home to several entertainment groups that use the Island as a global hub for content licensing and intellectual property holdings. With the explosion of virtual reality and non-cable content such as Netflix, suddenly hundreds of productions are faced with the challenges of cross-border licensing.

Many of these companies make use of segregated accounts companies (SACs) for project financing and overall protection needed by the industry's project based approach. What makes the proposition unique is that a single corporation can individually fund, cross-fund and manage multiple film projects without many of the financial risks.

These are exciting avenues for potential economic growth as well as industry diversification and Bermuda can look forward to being a natural launchpad for such innovative ventures over the next few years. ■

ABOUT THE AUTHOR

John Narraway is Consultant - Emerging Technologies at the [Bermuda Business Development Agency](#). John is a veteran in the technology scene in Bermuda and is also a Founder of Midori Ventures.